

HEARTLAND AREA EDUCATION AGENCY 11

Independent Auditor's Report
Basic Financial Statements
and Supplementary Information
Schedule of Findings and Questioned Costs
June 30, 2013

HEARTLAND AREA EDUCATION AGENCY 11

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HEARTLAND AREA EDUCATION AGENCY 11

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Directors:		
Nels Turnquist	President	2015
Margaret Borgen	Vice President	2015
Earl Bridgewater	Past President	2013
Ann Wilson	Member	2013
Bruce Christensen	Member	2013
Steve Rose	Member	2015
Jane Bell	Member	2015
Pete Evans	Member	2013
Cal Halliburton	Member	2015
Agency:		
Paula Vincent	Chief Administrator	
Jenny Ugolini	Board Secretary	
John Linch	Treasurer	
David King	Chief Financial Officer	Retired 6/30/2013
Kurt Subra	Chief Financial Officer	Effective 7/01/2013

AREAS SERVED

Audubon County:	Dallas County:
Audubon School District	Adel-DeSoto-Minburn School District
Exira School District	Assumption School
Boone County:	Dallas Center-Grimes School District
Boone School District	Perry School District
Madrid School District	St. Patricks School
Ogden School District	Van Meter School District
Sacred Heart School	Waukee School District
Trinity Lutheran School	Woodward-Granger School District
United School District	Guthrie County:
Carroll County:	Adair-Casey School District
Carroll School District	Guthrie Center School District
Coon Rapids Bayard School District	Panorama School District
Glidden-Ralston School District	West Central Valley School District
Kuemper School	

HEARTLAND AREA EDUCATION AGENCY 11

AREAS SERVED (CONTINUED)

Jasper County:

- Baxter School District
- Colfax-Mingo School District
- Lynnville-Sully School District
- Newton School District
- Newton Christian School
- PCM School District
- Sully Christian School

Madison County:

- Earlham School District
- Interstate 35 School District
- Winterset School District

Marion County:

- Knoxville School District
- Melcher-Dallas School District
- Pella School District
- Pella Christian Grade School
- Pella Christian High School
- Peoria Christian School
- Pleasantville School District
- Twin Cedars School District

Polk County:

- Ankeny School District
- Ankeny Christian Academy
- Bondurant-Farrar School District
- Christ the King School
- Des Moines School District
- Des Moines Christian School
- Bergman Academy
- Dowling High School
- Grandview Park Baptist School
- Holy Family Schools
- Holy Trinity School

Polk County (continued):

- Iowa Christian Academy
- Johnston School District
- Mt. Olive Lutheran School
- North Polk School District
- Sacred Heart School
- St. Anthony School
- St. Augustin School
- St. Francis of Assisi School
- St. Joseph Elementary School
- St. Pius X School
- St. Theresa School
- Saydel School District
- Southeast Polk School District
- Urbandale School District
- West Des Moines School District

Story County:

- Ames School District
- Ballard School District
- Collins-Maxwell School District
- Colo-Nesco School District
- Gilbert School District
- Nevada School District
- Roland-Story School District
- St. Cecelia School

Warren County:

- Carlisle School District
- Indianola School District
- Martensdale-St. Marys School District
- Norwalk School District
- Southeast Warren School District

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Heartland Area Education Agency 11

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Heartland Area Education Agency 11 as of and for the year ended June 30, 2013, which collectively comprise the Agency's basic financial statements listed in the table of contents. These financial statements are the responsibility of Agency officials. Our responsibility is to express opinions on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Heartland Area Education Agency 11 as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan be presented to supplement the basic financial statements. Such information, although not required part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on financial statements that collectively comprise Heartland Area Education Agency 11's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 and 2, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of Heartland Area Education Agency 11's management and was derived from and relates directly to the underlying accounting and other records used to prepare financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Governmental Auditing Standards, we have also issued our report dated December 3, 2013 on our consideration of Heartland Area Education Agency 11's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Heartland Area Education Agency 11's internal control over financial reporting and compliance.



January 14, 2014

HEARTLAND AREA EDUCATION AGENCY 11

Management's Discussion and Analysis

For the Year Ended June 30, 2013

Heartland Area Education Agency 11 provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund Revenues were \$78,263,614 and General Fund Expenditures were \$78,532,024 in FY2013. General Fund Other Financing Sources and Uses for FY2013 were a net use of \$3,746. Revenues less Expenditures and Other Uses resulted in a net operating loss of \$272,156. The Agency's General Fund total fund balance decreased from \$10,759,131 in FY2012 to \$10,486,975 in FY2013.
- The Agency's special education support services state foundation aid revenue was reduced a total of \$6,277,639. This was the Agency's share of a state-wide \$27.5 million cut to all area education agencies. This was the second year for the state-wide \$27.5 million cut. The Agency's share of the cut did not change.
- The Agency committed \$500,000 in fund balance at the end of FY2013 for the replacement of the HVAC system at the main building on the Johnston campus. The HVAC system will be replaced during FY2014.
- The Agency moved to self-funded health insurance beginning July 1, 2013, causing the creation of an internal service fund in June 2013. Because the insurance premiums are expensed one month before they are due, there was approximately \$500,000 in revenue in the internal service fund in FY2013. There were no expenditures because the fund doesn't start paying claims until after June 30. The FY2014 financial statements will be affected by this change more significantly than the FY2013 statements were impacted.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.
- The Government-Wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Area Education Agency 11 as a whole and present an overall view of the Agency's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statements report the Agency's operations in more detail than the Government-Wide Statements by providing information about the most significant funds.
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the Agency's budget for the year to actual expenditures, and Other Supplementary Information provides detailed information about expenditures by function and federal awards.

HEARTLAND AREA EDUCATION AGENCY 11

Management's Discussion and Analysis
For the Year Ended June 30, 2013

REPORTING THE AGENCY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The Government-Wide Statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Agency's assets and liabilities. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Government-Wide Statements report the Agency's net assets and how they have changed. Net assets – the difference between the Agency's assets and liabilities – are one way to measure the Agency's financial health or position.

- Over time, increases or decreases in the Agency's net assets are indicators of whether financial position is improving or deteriorating, respectively.
- To assess the Agency's overall health, additional non-financial factors, such as changes in the Agency's student population base and the condition of its facilities need to be considered.
- The Government-Wide Financial Statements include the Agency's basic services, such as regular and special education instruction, student and instructional staff support services and administration. Local school districts fees, property taxes, state aid and federal grants finance most of these activities.

Fund Financial Statements

The Fund Financial Statements provide detailed information about the Agency's funds, focusing on its most significant or "major" funds – not the Agency as a whole. Funds are accounting devices the Agency uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law or by bond covenants. The Agency establishes other funds to control and manage money for particular purposes, such as accounting for major construction projects or to show that it is properly using certain revenues, such as Juvenile Home funding.

The Agency's Governmental Funds include the General Fund and the Special Revenue Funds. Governmental Funds account for all of the Agency's basic services. These focus on how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently, the Governmental Fund Statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. Because this information does not encompass the additional long-term focus of the Government-Wide Statements, additional information at the bottom of the Governmental Fund Statements explains the relationship or differences between the two statements.

The Governmental Funds required financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. A summary reconciliation between the Government-Wide Financial Statements and the Fund Financial Statements follows the Fund Financial Statements.

HEARTLAND AREA EDUCATION AGENCY 11

Management's Discussion and Analysis
For the Year Ended June 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, Net Assets may serve over time as a useful indicator of financial position. Area Education Agency 11's Net Assets at the end of FY2013 totaled approximately \$20.6 million. The analysis that follows provides a summary of the Agency's Net Assets at June 30, 2013 for the Governmental Activities as compared to Net Assets at June 30, 2012. The Agency does not have Business-Type Activities, therefore the total is only composed of the Governmental Funds.

Condensed Statement of Net Assets

	FY2013	FY2012	% Change
Current and Other Assets	\$ 22,060,985	\$ 19,564,915	13%
Capital Assets	9,575,412	9,862,677	(3%)
Total Assets	\$ 31,636,397	\$ 29,427,592	8%
Long-Term Obligations	\$ -0-	\$ 40,000	(100%)
Other Liabilities	11,019,126	8,805,784	25%
Total Liabilities	\$ 11,019,126	\$ 8,845,784	25%
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ 9,471,412	\$ 9,862,677	(4%)
Restricted	2,146,642	2,270,241	(5%)
Unrestricted	8,999,217	8,448,890	7%
Total Net Assets	\$ 20,617,271	\$ 20,581,808	0%

The Agency's combined Net Assets increased by \$35,463 from FY2012. Total Assets increased \$2.2 million from FY 2012 due to an increase in cash. Long-Term Obligations were eliminated because the most recent actuarial analysis of the other post employment benefits (OPEB) estimated the plan value was an asset. Total Liabilities increased \$2.1 million due to an increase in accounts payable. The large increase in cash and accounts payable was due to a timing difference of when the Des Moines support bill was received and paid. The combined impact of the above was an increase of Unrestricted Net Assets of approximately \$500,000.

HEARTLAND AREA EDUCATION AGENCY 11

Management's Discussion and Analysis

For the Year Ended June 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The following analysis shows the changes in Net Assets for the year ended June 30, 2013 as compared to June 30, 2012. The Agency does not have Business-Type Activities, therefore the total is composed of the Governmental Funds.

Changes in Net Assets			
	FY2013	FY2012	% Change
Revenues:			
Program Revenues:			
Charges for Services	\$ 3,906,279	\$ 2,819,457	39%
Operating Grants and Contributions	29,077,617	29,966,668	(3%)
General Revenues			
Property Tax	20,826,580	20,183,337	3%
State Aid-Formula Grants	26,485,395	25,538,000	4%
Unrestricted Investment Earnings	33,039	35,471	(7%)
Total Revenues	<u>\$ 80,328,910</u>	<u>\$ 78,542,933</u>	<u>2%</u>
Program Expenses:			
Instruction	\$ 3,183,103	\$ 3,225,350	(1%)
Student Support Services	31,627,028	29,735,955	6%
Instructional Staff Support Services	22,279,259	22,113,213	1%
General Administration	3,259,361	3,770,310	(14%)
Regional Administration	4,265,232	4,580,179	(7%)
Business Administration	1,494,684	1,266,662	18%
Central and Other Support Services	4,631,933	3,792,796	22%
Printing and Delivery	732,283	1,203,711	(39%)
Plant Operations and Maintenance	1,382,054	1,188,607	16%
Student Transportation	1,027	2,477	(59%)
Management Services	119,375	195,410	(39%)
Community Services Operations	161,834	191,774	(16%)
LEA Part B Flow-Through	6,948,573	6,711,880	4%
Depreciation-Unallocated	207,701	204,164	2%
Long-Term Debt Interest	0	73,108	(100%)
Facilities Acquisition	0	61,609	(100%)
Total Expenses	<u>\$ 80,293,447</u>	<u>\$ 78,317,205</u>	<u>3%</u>
Increase (Decrease) in Net assets	\$ 35,463	\$ 225,728	(84%)
Net Assets-Beginning	20,581,808	20,356,080	1%
Net Assets-Ending	<u>\$ 20,617,271</u>	<u>\$ 20,581,808</u>	<u>0%</u>

HEARTLAND AREA EDUCATION AGENCY 11

Management's Discussion and Analysis
For the Year Ended June 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The Agency's overall revenue increase of 2% was primarily due to an increase in State Aid-Formula Grants of 3.5% and an increase in Charges for Services of 39%. The large increase in Charges for Services was due primarily to the creation of a self-funded insurance internal services fund late in FY2013. Operating Grants and Contributions were lower in FY 2013 due to a reduced reliance on Part B federal funds as the result of the State Aid increase.

The Agency's expenses primarily relate to instructional support services provided to local school districts, which account for 85% of the operating expenses. Instructional support services provided to schools are reported above in the areas of Instruction, Student Support Services, Instructional Staff Support Services, Printing and Delivery, LEA Part B Flow-Through and a large portion of the Central and Other Support Services.

The large percentage changes for General Administration, Regional Administration, Business Administration, and Central and Other Support Services were due to changes in staffing patterns and a shift in accounting between regional administration and central support for the special education data specialists. The total change for those four areas combined was an increase of less than 2%. The changes in Printing and Delivery Services were due to decreased costs associated with the print center after a major operational change in FY2012. Cumulatively, the governmental funds expenditures increased 3%, due mostly to an increase in salaries and benefits.

Governmental Activities

Revenues for Governmental Activities were \$80,328,910 and expenses were \$80,293,447.

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

As previously noted, Area Education Agency 11 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Agency's Governmental Funds reported combined fund balances of \$11,041,859, which is approximately \$283,000 greater than last year's ending fund balances of \$10,759,131. The fund balance increase is primarily due to the creation of the self-funded insurance internal service fund. Governmental Fund revenues increased approximately \$1.8 million. The increased revenues are a result of state defined allowable growth and the creation of an internal service fund. Governmental Fund expenditures increased approximately \$2 million.

BUDGETARY HIGHLIGHTS

The Agency's Board of Directors annually adopts a budget on a basis consistent with U.S. generally accepted accounting principles. Although the budget document presents functional disbursements by fund, the legal level of control is at the total expenditure level, not at the fund or fund type level. After required public notice and hearing in accordance with the Code of Iowa, the Board submits its budget to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board. Over the course of the year, the Agency amended its annual operating budget one time to reflect adjustments to revenue and expenditures associated with the services needed and provided to local school districts. A schedule showing the original and final budget amounts compared to the Agency's actual financial activity is included in the Required Supplementary Information Section of this report.

HEARTLAND AREA EDUCATION AGENCY 11

Management's Discussion and Analysis For the Year Ended June 30, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the Agency had invested \$9.5 million, net of accumulated depreciation in a broad range of capital assets, including land, buildings, computers, equipment, software, and an extensive library/media collection.

Area Education Agency 11 had depreciation expense of \$1,074,827 in FY2013 and total accumulated depreciation of \$11,328,421 at June 30, 2013. More detailed information about capital assets is available in Note 3 to the financial statements.

Debt Administration

At June 30, 2013 the Agency had no long-term outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Iowa economy has shown improvement over the past 12 months. The Iowa legislature enacted 2% supplemental state aid (allowable growth) for FY2014 and restored \$5 million of the state-wide reduction to AEA's. As a result of the increase in supplemental state aid (allowable growth), the partial restoration of previous funding cuts, and increases in student enrollment, the Agency will have an increase in state aid in FY2014 of 6.5%. Federal sequestration is reducing the AEA federal Part B funding by approximately 5% beginning in FY2014. Sequestration will affect other federal funding sources in subsequent years.

The HVAC system at the main Johnston facility will be replaced in FY2014. The anticipated project cost is approximately \$2.6 million. At the end of FY2013, the Board of Directors added \$500,000 to the committed fund balance for construction and renovation. The agency has a total of approximately \$1.3 million committed for construction and renovation and plans to use the unassigned fund balance for the remainder of the cost.

The Agency moved to self-funded health insurance beginning July 1, 2013. An internal service fund was created to record the premiums and claims for the health and dental insurance. While this will increase the governmental funds' expenditures and revenues it should not have a major effect on the net assets of the Agency.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Agency's citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer of Area Education Agency 11, 6500 Corporate Drive, Johnston, Iowa 50131.

HEARTLAND AREA EDUCATION AGENCY 11

Statement of Net Assets

June 30, 2013

ASSETS

Cash and Cash Equivalents	\$ 18,075,281
Due from Other Governments	3,923,692
Prepaid Expenses	62,012
Capital Assets, Net of Depreciation	9,471,412
Long-Term OPEB Asset	104,000
	<hr/>
Total Assets	\$ 31,636,397
	<hr/>

LIABILITIES

Accounts payable and other current liabilities	\$ 10,120,089
Deferred Revenues	
Federal	70,005
Miscellaneous	829,032
	<hr/>
Total Liabilities	\$ 11,019,126
	<hr/>

NET ASSETS

Net Investment in Capital Assets	\$ 9,471,412
Restricted for:	
Prepaid Expenses	60,683
Materials Resource	1,752,042
State Teacher Categorical	333,917
Unrestricted	8,999,217
	<hr/>
Total Net Assets	\$ 20,617,271
	<hr/>

See accompanying notes to the financial statements.

Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 3,183,103	\$ 9,319	\$ 2,902,493	-	\$ (271,291)
Student support services	31,627,028	5,030	12,743,354	-	(18,878,644)
Instructional staff support services	22,279,259	2,447,927	5,425,396	-	(14,405,936)
General administration	3,259,361	20,695	227,697	-	(3,010,969)
Regional administration	4,265,232	92	-	-	(4,265,140)
Business administration	1,494,684	584,949	643,572	-	(266,163)
Central & other support services	4,631,933	420,847	1,462	-	(4,209,624)
Printing, delivery services & coop services	732,283	349,595	-	-	(382,688)
Plant operations and maintenance	1,382,054	2,321	22,213	-	(1,357,520)
Student transportation	1,027	-	1,027	-	-
Management services	119,375	65,500	-	-	(53,875)
Community services	161,834	4	161,830	-	-
LEA Part B Flowthrough	6,948,573	-	6,948,573	-	-
Facilities acquisition	-	-	-	-	-
Debt service	-	-	-	-	-
Depreciation-unallocated	207,701	-	-	-	(207,701)
Total Primary Government	<u>\$ 80,293,447</u>	<u>\$ 3,906,279</u>	<u>\$ 29,077,617</u>	<u>\$ -</u>	<u>(47,309,551)</u>
General Revenues					
Property taxes, levied for general purposes					20,826,580
State Aid					26,485,395
Unrestricted investment earnings					33,039
Total General Revenues					<u>47,345,014</u>
Change in Net Assets					<u>\$ 35,463</u>
Net Assets - Beginning of Year					<u>20,581,808</u>
Net Assets - End of Year					<u>\$ 20,617,271</u>

See accompanying notes to the financial statements.

HEARTLAND AREA EDUCATION AGENCY 11

Balance Sheet - Governmental Funds

June 30, 2013

Exhibit C

	Non-Major Governmental Funds					
		Special Revenue			Non-Major Funds	
	General	Spec Ed Instructional	Shelter Care	Internal Service	Sub-Total	Total
ASSETS						
Cash and Cash Equivalents	\$ 17,096,457	\$ -	\$ 382,004	\$ 605,617	\$ 987,621	\$ 18,084,079
Due from Other Governments	3,820,470	8,796	94,425	-	103,221	3,923,691
Prepaid Expenses	60,683	-	1,329	-	1,329	62,012
Total Assets	\$ 20,977,610	\$ 8,796	\$ 477,758	\$ 605,617	\$ 1,092,171	\$ 22,069,782
LIABILITIES AND FUND BALANCE						
LIABILITIES						
Accounts Payable and Other Current Liabilitie	\$ 9,990,119	\$ -	\$ 129,971	\$ -	129,971	\$ 10,120,090
Excess of Warrants Issued over Bank Balance		8,796			8,796	8,796
Deferred Revenues						
Federal	70,005				-	70,005
Miscellaneous	430,512		347,787	50,733	398,520	829,032
Total Liabilities	10,490,636	8,796	477,758	50,733	537,287	11,027,923
FUND BALANCE						
Non-Spendable						
Prepaid Expenses	60,683	-	-	-	-	60,683
Restricted						
Materials Resource	1,752,042	-	-	-	-	1,752,042
State Teacher Categorical	333,916	-	-	-	-	333,916
Assigned						
Encumbrances	32,969					32,969
Committed						
Unemployment	33,150	-	-	-	-	33,150
Capital Needs and Repairs	144,532	-	-	-	-	144,532
Johnston HVAC replacement	500,000				-	500,000
Johnston Facility Construction	834,345	-	-	-	-	834,345
Unassigned/uncommitted	6,795,338	-	-	554,884	554,884	7,350,222
Total Fund Balance	10,486,975	-	-	554,884	554,884	11,041,859
Total Liabilities and Fund Balances	\$ 20,977,611	\$ 8,796	\$ 477,758	\$ 605,617	\$ 1,092,171	\$ 22,069,782

See accompanying notes to the financial statements

Heartland Area Education Agency 11

HEARTLAND AREA EDUCATION AGENCY 11
 Reconciliation of the Balance Sheet - Governmental Funds
 to the Statement of Net Assets
 June 30, 2013

Total Fund Balances - Governmental Funds	\$	11,041,859
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Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Asset for Other Post-Employment Benefits		104,000
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Capital Assets used in Governmental Activities are not financial resources and therefore are not reported as assets in Governmental Funds. The cost of the assets is \$20,799,833 less the accumulated depreciation of \$11,328,421

		9,471,412
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Total Net Assets - Governmental Activities	\$	<u>20,617,271</u>
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See accompanying notes to financial statements.

HEARTLAND AREA EDUCATION AGENCY 11
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2013

Exhibit E

	Non-Major Governmental Funds				Non-Major Funds Sub-Total	Total
	General	Special Revenue Spec Ed Instructional	Shelter Care	Internal Service		
REVENUES						
Local Sources	\$ 24,194,048	\$ 8,148	\$ 1,030	\$ 554,884	\$ 564,062	\$ 24,758,110
State Sources	27,157,153		1,399,020	-	1,399,020	28,556,173
Federal Sources	26,912,413		94,425	-	94,425	27,006,838
Total Revenues	<u>\$ 78,263,614</u>	<u>\$ 8,148</u>	<u>\$ 1,494,475</u>	<u>\$ 554,884</u>	<u>\$ 2,057,507</u>	<u>\$ 80,321,121</u>
EXPENDITURES						
Instruction	\$ 1,952,845	\$ 8,148	\$ 1,224,981	\$ -	\$ 1,233,129	\$ 3,185,974
Student Support Services	31,696,083	-	-	-	-	31,696,083
Instructional Staff Support Services	22,169,125	-	113,450	-	113,450	22,282,575
General Administration	3,124,757	-	133,589	-	133,589	3,258,346
Regional Administration	4,261,680	-	-	-	-	4,261,680
Business Administration	1,500,034	-	-	-	-	1,500,034
Central and Other Support Services	4,515,082	-	1,095	-	1,095	4,516,177
Printing & Delivery	705,596	-	-	-	-	705,596
Plant Operations and Maintenance	1,376,177	-	21,017	-	21,017	1,397,194
Student Transportation	550	-	477	-	477	1,027
Management Services	119,688	-	-	-	-	119,688
Community Services Operations	161,834	-	-	-	-	161,834
LEA Part B Flowthrough	6,948,573	-	-	-	-	6,948,573
Facilities Acquisition	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Total Expenditures	<u>\$ 78,532,024</u>	<u>\$ 8,148</u>	<u>\$ 1,494,609</u>	<u>\$ -</u>	<u>\$ 1,502,757</u>	<u>\$ 80,034,781</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ (268,410)	\$ -	\$ (134)	\$ 554,884	\$ 554,750	\$ 286,340
OTHER FINANCING SOURCES (USES)						
Prior year expenditures and revenue	(4,457)	-	-	-	-	(4,457)
Sale of Equipment	711	-	134	-	134	845
Proceeds from Lease Purchase	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Financing Sources (Uses)	<u>\$ (3,746)</u>	<u>\$ -</u>	<u>\$ 134</u>	<u>\$ -</u>	<u>\$ 134</u>	<u>\$ (3,612)</u>
Net Change in Fund Balances	(272,156)	-	-	554,884	554,884	282,728
Fund Balances--Beginning	10,759,131	-	-	-	-	10,759,131
Fund Balances--Ending	<u>\$ 10,486,975</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 554,884</u>	<u>\$ 554,884</u>	<u>\$ 11,041,859</u>

See accompanying notes to the financial statements

HEARTLAND AREA EDUCATION AGENCY 11
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Governmental Funds - to the Statement of Activities
 For the Year ended June 30, 2013

Total Net Change in Fund Balances - Government Funds	\$	282,728
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Amounts reported for Governmental Activities in the Statement of
 Activities are different because:

Capital outlays are reported in Governmental Funds as expenditures.

However, in the Statement of Activities, the cost of those assets is
 allocated over their estimated useful life as depreciation expense.

This is the amount by which depreciation (\$1,074,827) exceeded capital
 outlay (\$679,047) and donation revenue (\$4,515) for free materials.

(391,265)

Change for the recognition of Other Post Employment Benefits

144,000

Total Change in Net Assets of Governmental Activities

\$ 35,463

HEARTLAND AREA EDUCATION AGENCY 11
Statement of Net Assets - Proprietary Fund
June 30, 2013

Governmental Activities

Internal
Service

ASSETS

Cash and Cash Equivalents	\$ 605,617
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Total Assets	\$ 605,617
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LIABILITIES

Deferred Revenue	\$ 50,733
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Total Liabilities	\$ 50,733
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NET ASSETS

Unrestricted	\$ 554,884
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Total Net Assets	554,884
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See accompanying notes to the financial statements

HEARTLAND AREA EDUCATION AGENCY 11
Statement of Revenues, Expenditures and
Changes in Fund Balances - Proprietary Fund
For the Year Ended June 30, 2013

Governmental Activities

Internal
Service

REVENUES

Charges for Services - Operating Gain	\$ 554,884
Total Revenues	554,884

EXPENDITURES

-

**EXCESS (DEFICIENCY) OF REVENUES
OVER (UNDER) EXPENDITURES**

554,884

Fund Balances--Beginning
Fund Balances--Ending

	-
	\$ 554,884

See accompanying notes to the financial statements

HEARTLAND AREA EDUCATION AGENCY 11

Statement of Cash Flows - Proprietary Fund

For the Year Ended June 30, 2013

Governmental ActivitiesInternal
Service**Cash Flows from financing activities**

Receipts from customers and users

\$ 605,617

Net cash used in operating activities

\$ 605,617**Net increase in cash and cash equivalents**

\$ 605,617

Cash and cash equivalents, beginning of year

-

Cash and cash equivalents, end of year

\$ 605,617**Reconciliation of operating activities to net cash
used in operating activities****Operating Gain**

\$ 554,884

Adjustments to reconcile operating gains to net cash

Changes in assets and liabilities:

Deferred Revenue

50,733

Net Cash used in operating activities

\$ 605,617

HEARTLAND AREA EDUCATION AGENCY 11

Notes to the Financial Statements
For the Year Ended June 30, 2013

1. Summary of Significant Accounting Policies

Heartland Area Education Agency 11 is an intermediate school corporation between the State Department of Education and the local school districts in its area as provided by Chapter 273 of the Code of Iowa. The Agency provides programs and support services necessary to meet the identified educational needs in the local school districts to enable them to operate efficiently and effectively. The Agency serves 53 school districts and 28 accredited non-public schools in an eleven-county area. The Agency is governed by a Board of Directors, whose members are elected on a non-partisan basis.

The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Heartland Area Education Agency 11 has included all funds, organizations, agencies, boards, commissions, and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. Heartland Area Education Agency 11 has no component units that meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Government-Wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the activities of the Agency. For the most part, the effect of inter fund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the Agency's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes, state aid, non-categorical federal funds, and unrestricted interest income are reported as general revenues.

HEARTLAND AREA EDUCATION AGENCY 11

Notes to the Financial Statements
For the Year Ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Fund Financial Statements – Separate financial statements are provided for the governmental funds. All of the Agency's individual governmental funds are reported as separate columns in the Fund Financial Statements. Only the General Fund is considered a major fund.

The Agency reports the following major governmental fund:

The General Fund is the general operating fund of the Agency. All general revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Agency reports the following non-major Governmental Funds:

The Special Revenue, Special Education Instruction Fund is used to account for a program where the Agency employs teachers to provide instruction to special education pupils. The actual costs of providing instructional services to the pupils are billed to the individual school districts.

The Special Revenue, Shelter Care Fund is used to account for instructional programs where the Agency employs teachers to provide instruction to pupils in juvenile shelters and juvenile detention facilities. The actual costs of providing these instructional services are paid by the State of Iowa.

The Internal Service Fund is used to account for the self-funded health and dental insurance program. The Agency began self-funded insurance July 1, 2013. The only activity in the fund for FY2013 is for the premiums collected in June for claims to be paid in the subsequent year.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 90 days after year-end.

HEARTLAND AREA EDUCATION AGENCY 11

Notes to the Financial Statements
For the Year Ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

D. Measurement Focus and Basis of Accounting (continued)

Intergovernmental revenues (state aid, property tax, shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Agency.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are recorded as other financing sources.

Under the terms of grant agreements, the Agency funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Agency's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds that can be paid using either restricted or unrestricted resources, the Agency's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned, and then unassigned fund balance.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

F. Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents - Cash includes amounts in demand deposits, money market funds and certificate of deposits. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

All short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Inventories - Inventories are not reported on the financial statements due to immateriality.

Capital Assets - Capital assets, which include property, furniture and equipment, and intangibles are reported in the governmental column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the Agency as assets with initial, individual costs in excess of \$3,000 and estimated useful lives in excess of two years.

HEARTLAND AREA EDUCATION AGENCY 11

Notes to the Financial Statements

For the Year Ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

F. Assets, Liabilities and Fund Equity (continued)

Capital Assets (continued) - Capital assets of the Agency are depreciated using the straight-line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Improvements	20
Intangibles	5-10
Furniture and equipment	5
Film and book library	10

Salaries and Benefits Payable - Payroll and related expenses for staff with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Deferred revenue represents an excess of cash advances by the funding source over accrued expenditures at year-end.

Compensated Absences - Agency employees accumulate a limited amount of earned but unused vacation hours and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability has been recorded in the Statement of Net Assets representing the Agency's commitment to fund non-current compensated absences. This liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid by the General and Special Revenue Funds.

Long-term Liabilities - In the Government-Wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the Governmental Activities column in the Statement of Net Assets.

Fund Balances - In the Governmental Fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts, which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts, which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Directors through resolution approved prior to year-end. Committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same action it employed to commit these amounts.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets - In the Government-Wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

HEARTLAND AREA EDUCATION AGENCY 11

Notes to the Financial Statements
For the Year Ended June 30, 2013

2. Cash, Pooled Investments and Cash Equivalents

The Agency's deposits in banks at June 30, 2013 were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency's investments at June 30, 2013 consisted of the following:

	<u>Cost</u>	<u>Market Value</u>
Iowa Schools Joint Investment Trust	\$ <u>108,747</u>	\$ <u>108,747</u>

The Agency had investments in the Iowa Schools Joint Investment Trust Direct Government Obligation Portfolio, which are valued at an amortized cost of \$108,747 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

Interest rate risk - The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Agency.

HEARTLAND AREA EDUCATION AGENCY 11

Notes to the Financial Statements
For the Year Ended June 30, 2013

3. Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Beginning of Year	Additions	Deletions	End of Year
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,136,985	\$ -0-	\$ -0-	\$ 1,136,985
Capital Assets Being Depreciated:				
Buildings	6,113,419	-0-	-0-	6,113,419
Improvements other than buildings	2,887,735	4,769	-0-	2,892,504
Furniture and equipment	4,061,025	252,302	147,087	4,166,240
Intangibles	2,486,856	75,792	13,383	2,549,265
Library/media collection	<u>3,861,465</u>	<u>364,082</u>	<u>284,127</u>	<u>3,941,420</u>
Total Capital Assets Being Depreciated	19,410,500	696,945	444,597	19,662,848
Less Accumulated Depreciation for:				
Buildings	1,535,892	122,675	-0-	1,658,567
Improvements other than buildings	1,544,183	85,026	-0-	1,629,209
Furniture and equipment	3,371,917	271,218	147,087	3,496,048
Intangibles	1,282,976	201,766	-0-	1,484,742
Library/media collection	<u>2,949,840</u>	<u>394,142</u>	<u>284,127</u>	<u>3,059,855</u>
Total Accumulated Depreciation	<u>10,684,808</u>	<u>1,074,827</u>	<u>431,214</u>	<u>11,328,421</u>
Total Capital Assets Being Depreciated, Net	<u>8,725,692</u>	<u>(377,882)</u>	<u>13,383</u>	<u>8,334,427</u>
Governmental Activities Capital Assets, Net	\$ <u>9,862,677</u>	\$ <u>(377,882)</u>	\$ <u>13,383</u>	\$ <u>9,471,412</u>

Depreciation expense was charged to functions of the Agency as follows:

Governmental Activities:	
Instruction	\$ 3,393
Student support services	47,187
Instructional staff support services	456,937
General administration	2,582
Regional administration	15,605
Business services	339,940
Plant operations and maintenance	1,482
Unallocated	<u>207,701</u>
Total Governmental Activities Depreciation Expense	\$ <u>1,074,827</u>

HEARTLAND AREA EDUCATION AGENCY 11

Notes to the Financial Statements
For the Year Ended June 30, 2013

4. Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance Ending of Year
Net OPEB liabilities	<u>40,000</u>	<u>-0-</u>	<u>144,000</u>	<u>(104,000)</u>
Total	<u>\$ 40,000</u>	<u>\$ -0-</u>	<u>\$ 144,000</u>	<u>(104,000)</u>

Capital Leases

The Agency had no outstanding capital leases at any time during fiscal year 2013.

5. Operating Leases

The Agency has leased various facilities within the area to house staff of the Agency. These leases have been classified as operating leases and, accordingly, all rents are charged to expenditures as incurred. The leases expire between June 30, 2013 and June 30, 2015. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects the leases will be renewed or replaced by other leases.

The following is a schedule by year of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2013.

<u>Year Ending June 30,</u>	
2014	72,734
2015	51,870

Total rental expenditures for the year ended June 30, 2013 for all operating leases, except those with terms of a month or less that were not renewed, were \$122,996.

6. Pension and Retirement Benefits

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by the State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the Agency is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The Agency's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 was \$3,296,387, \$3,069,652 and \$2,660,576 respectively, equal to the required contributions for each year.

7. Other Postemployment Benefits (OPEB)

Plan Description – The Agency operates a single-employer retiree benefit plan that provides medical and prescription drug benefits for retirees and their spouses. There are 559 active and 89 retired members in the plan. Participants must be age 58 years of age or older at retirement and have attained a minimum of 15 years of service.

The medical and prescription drug benefits are through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability. Effective July 1, 2013 the Agency switched to a self-insured plan.

HEARTLAND AREA EDUCATION AGENCY 11

Notes to the Financial Statements
For the Year Ended June 30, 2013

Funding Policy – The contribution requirements of plan members are established and may be amended by the Agency. The Agency currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The Agency's annual OPEB cost is calculated based on the annual required contribution (ARC) of the Agency, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding, which if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Agency's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the Agency's net OPEB obligation:

Annual Required Contribution	\$ 687,000
Contributions Made	(831,000)
Decrease in Net OPEB Obligation	\$ (144,000)
Net OPEB Obligation – Beginning of Year	40,000
Net OPEB Obligation – End of Year	\$ (104,000)

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the Agency contributed \$831,000 to the medical plan. Plan members eligible for benefits contributed \$803,000, or 49% of the premium costs.

The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Asset</u>
June 30, 2013	\$687,000	121.0%	\$104,000

Funding Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation data for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$7,451,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,451,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$38,309,806 and the ratio of the UAAL to covered payroll was 19%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumption about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past experience and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projection of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective calculations.

HEARTLAND AREA EDUCATION AGENCY 11

Notes to the Financial Statements
For the Year Ended June 30, 2013

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the Agency's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Actuarial Methods and Assumptions (continued) – Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2012 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2012.

Projected claim costs of the medical plan are \$642 per month for retirees of age 60. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

8. Risk Management

Heartland Area Education Agency 11 is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Agency assumes liability for any deductibles and claims in excess of coverage limitations.

9. Subsequent Events

The Iowa legislature cut \$22.5 million from the AEA system statewide for fiscal year 2014. As a result, the Agency will have a state funding cut of approximately \$5.1 million in FY 2014. The Agency's Federal Part B funding was reduced approximately 5% in FY 2014 due to sequestration. The amount of the Federal Part B cut is approximately \$900,000.

Management has reviewed and evaluated material subsequent events from the balance sheet date of June 30, 2013 through the financial statements issue date of January 14, 2014. All appropriate subsequent event disclosures have been made to the financial statements.

HEARTLAND AREA EDUCATION AGENCY 11

Required Supplementary Information

HEARTLAND AREA EDUCATION AGENCY 11
 Required Supplementary Information
 Budgetary Comparison Schedule - All Governmental Funds
 For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final budget- Positive (Negative)
	Original	Final	Actual	
REVENUES				
Local Sources	\$ 23,498,693	\$ 24,315,911	\$ 24,758,110	\$ 442,199
State Sources	31,014,602	28,520,946	28,556,173	35,227
Federal Sources	27,306,930	28,741,066	27,006,838	(1,734,228)
Total Revenues	<u>\$ 81,820,225</u>	<u>\$ 81,577,923</u>	<u>\$ 80,321,121</u>	<u>\$ (1,256,802)</u>
EXPENDITURES				
Instruction	\$ 3,557,243	\$ 3,328,294	\$ 3,185,974	\$ 142,320
Student Support Services	29,840,668	31,792,543	31,696,083	96,460
Instructional Staff Support Services	24,813,337	23,361,874	22,282,575	1,079,299
General Administration	3,883,565	3,250,420	3,258,346	(7,926)
Regional Administration	4,986,343	4,618,423	4,261,680	356,743
Business Administration	1,293,332	1,532,721	1,500,034	32,687
Central and Other Support Services	4,311,142	4,726,449	4,516,177	210,272
Printing and Delivery	846,487	841,737	705,596	136,141
Plant Operations and Maintenance	1,508,870	1,522,410	1,397,194	125,216
Student Transportation	5,916	3,660	1,027	2,633
Management Services	114,984	117,568	119,688	(2,120)
Community Services Operations	227,771	229,532	161,834	67,698
LEA Part B Flowthrough	6,420,567	6,950,194	6,948,573	1,621
Facilities Acquisition	10,000	-	-	-
Debt Service	-	-	-	-
Total Expenditures	<u>\$ 81,820,225</u>	<u>\$ 82,275,825</u>	<u>\$ 80,034,781</u>	<u>\$ 2,241,044</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (697,902)	\$ 286,340	\$ 984,242
OTHER FINANCING SOURCES (USES)				
Lease Purchase Proceeds	-	-	-	-
Prior year expenditures and revenue	-	-	(4,457)	(4,457)
Sales of Equipment	-	150,530	845	(149,685)
Excess (Deficiency) of Revenues Over Expenditures and Other Financing (Uses)	<u>\$ -</u>	<u>\$ (547,372)</u>	<u>\$ 282,728</u>	<u>\$ 830,100</u>
See accompanying independent auditor's report				

HEARTLAND AREA EDUCATION AGENCY 11
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

The Agency's Board of Directors annually prepares a budget on a basis consistent with U.S. generally accepted accounting principles. Although the budget document presents function expenditures/expenses by fund, the legal level of control is at the total expenditure/expense level, not by fund. After required public notice and hearing in accordance with the Code of Iowa, the Board submits its budget to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board.

For the year ended June 30, 2013, the Agency's expenditures/expenses did not exceed the approved budget.

HEARTLAND AREA EDUCATION AGENCY 11
Required Supplementary Information
Schedule of Funding Progress for the Retiree Health Plan
For the Year Ended June 30, 2013

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
2009	July 1, 2008	-	\$ 7,517,000	\$ 7,517,000	0%	\$ 37,788,581	19.89%
2010	July 1, 2008	-	\$ 7,517,000	\$ 7,517,000	0%	\$ 37,788,581	19.89%
2011	July 1, 2010	-	\$ 6,860,000	\$ 6,860,000	0%	\$ 38,100,525	18.01%
2012	July 1, 2010	-	\$ 6,860,000	\$ 6,860,000	0%	\$ 38,100,525	18.01%
2013	July 1, 2012	-	\$ 7,451,000	\$ 7,451,000	0%	\$ 38,309,806	19.45%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

HEARTLAND AREA EDUCATION AGENCY 11

Other Supplementary Information

HEARTLAND AREA EDUCATION AGENCY 11
Schedule of Revenues by Source and Expenditures by Function -
All Governmental Fund Types
For the Last Four Years

	Modified Accrual Basis			
	For the years Ending June 30,			
	2013	2012	2011	2010
REVENUES				
Local sources	\$ 24,751,850	\$ 23,002,216	\$ 21,953,833	\$ 21,080,848
State	28,562,433	27,581,671	31,817,948	27,830,039
Federal	27,006,838	27,914,650	28,993,941	49,603,135
Total Revenues	\$ 80,321,121	\$ 78,498,537	\$ 82,765,722	\$ 98,514,022
EXPENDITURES				
Instruction	\$ 3,185,974	\$ 3,218,103	\$ 4,649,204	\$ 6,211,744
Student support services	31,696,083	29,710,400	28,673,320	28,162,295
Instructional staff support services	22,282,575	22,021,136	23,191,381	22,024,423
General administration	3,258,346	3,774,107	4,500,149	4,328,141
Regional administration	4,261,680	4,591,301	3,396,634	3,622,193
Business administration	1,500,034	1,264,830	1,114,775	1,012,083
Central & other support services	4,516,177	3,855,140	4,303,754	4,111,558
Printing and delivery services	705,596	1,411,097	1,150,726	1,389,549
Plant operations and maintenance	1,397,194	1,187,712	1,412,664	1,558,287
Student transportation	1,027	2,477	3,255	2,656
Management services	119,688	195,410	-	-
Community services	161,834	191,774	209,149	221,987
LEA Part B Flowthrough	6,948,573	6,711,880	6,814,588	21,364,943
Facilities acquisition	-	62,699	1,364,503	228,354
Debt service	-	1,638,108	192,778	1,439,819
Total Expenditures	\$ 80,034,781	\$ 79,836,174	\$ 80,976,880	\$ 95,678,032

See accompanying independent auditor's report.

HEARTLAND AREA EDUCATION AGENCY 11

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

<u>Project Title</u>	<u>Number</u>	<u>Pass Through CFDA Number</u>	<u>Grantor's Expenditures</u>
U.S. Department of Education:			
Passed-through Iowa Department of Education:			
Special Education - Part B			
Education for the Handicapped	84.027	091012	* \$ 25,003,629
Parent Educator Model 2012-2013	84.027	97412	* 168,522
SPED Interviews	84.027		926
LETRS	84.027		<u>5,285</u>
			25,178,362
Special Education - Basic 619			
Preschool 3 thru 5 P.L. 99-457	84.173		* 564,244
Special Education - Part C			
Education of Handicapped Act, Part C	84.181		659,137
Title II			
E2T2, Part D	84.318		22,015
Title III			
ELL-LEP	84.365		286,725
Career Ladder			
Professional Development	84.323		68,568
Title II, Part A	84.367		13,737
Title II, Part A	84.367		3,396
Title II, Part A	84.367		<u>8,900</u>
			26,033
Safe and Drug-Free Schools and Communities			
National Programs	84.184		77,061
Learning Modules	84.369		<u>4,249</u>
Total Passed-Through Iowa Department of Education			26,886,394

See accompanying independent auditor's report.

HEARTLAND AREA EDUCATION AGENCY 11
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

<u>Project Title</u>	<u>Number</u>	Pass Through <u>CFDA Number</u>	<u>Grantor's Expenditures</u>
U.S. Department of Education (continued):			
Passed-through Ames Community Schools:			
Title I Neglected and Delinquent 2012-2013	84.010		10,416
Passed-through Des Moines Independent Schools:			
Title I Neglected and Delinquent 2012-2013	84.010		<u>87,114</u>
Total Passed-through Des Moines Independent Schools			
Total U.S. Department of Education			\$ <u>26,983,924</u>

* These programs are considered major programs under provisions of the Single Audit Act Amendment of 1996.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Heartland Area Education Agency 11 and is presented on the modified accrual basis. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Board of Directors of
Heartland Area Education Agency 11

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Heartland Area Education Agency 11 as of and for the year ended June 30, 2013, which collectively comprise the Agency's basic financial statements listed in the table of contents, and have issued our report thereon dated January 14, 2014. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Heartland Area Education Agency 11 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Heartland Area Education Agency 11's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Heartland Area Education Agency 11's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Heartland Area Education Agency 11's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Agency's financial statements will not be prevented or detected and corrected on a timely basis. We noted no matters involving the internal control over financial reporting and its operations to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Heartland Area Education Agency 11's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Governmental Auditing Standards.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Agency and other parties to whom the Agency may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink that reads "Pithman & Company, LLP". The signature is written in a cursive, flowing style.

January 14, 2014



**Independent Auditor's Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program
and on Internal Control over Compliance In Accordance
with OMB Circular A-133**

To the Board of Directors of
Heartland Area Education Agency 11

Compliance

We have audited the compliance of Heartland Area Education Agency 11, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2013. Heartland Area Education Agency 11's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Heartland Area Education Agency 11's management. Our responsibility is to express an opinion on Heartland Area Education Agency 11's compliance, based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Heartland Area Education Agency 11's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Heartland Area Education Agency 11's compliance with those requirements.

In our opinion, Heartland Area Education Agency 11 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2013.

Internal Control over Compliance

The management of Heartland Area Education Agency 11 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Heartland Area Education Agency 11's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Heartland Area Education Agency 11's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the Agency's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented, detected and corrected on a timely basis. We noted no matters involving the internal control over compliance to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Heartland Area Education Agency 11 and other parties to whom the Agency may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Fittman & Company, LLP". The signature is written in a cursive, flowing style.

January 14, 2014

HEARTLAND AREA EDUCATION AGENCY 11

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2013

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) No significant deficiencies or material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies or material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.027 – Special Education – Part B
 - CFDA Number 84.173 – Special Education – Basic 619
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$809,518.
- (i) Heartland Area Education Agency 11 qualified as a low-risk auditee.

Part II: Findings Related to the General Purpose Financial Statements:

No Findings

Part III: Findings and Questioned Costs for Federal Awards:

No Findings

HEARTLAND AREA EDUCATION AGENCY 11
Schedule of Findings and Questioned Costs - continued
For the Year Ended June 30, 2013

Part IV: Other Findings Related to the Required Statutory Reporting:

- IV-A-13 Official Depositories - A resolution naming official depositories has been adopted by the Agency. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2013.
- IV-B-13 Certified Budget - Expenditures during the year ended June 30, 2013 did not exceed the amount budgeted.
- IV-C-13 Questionable Expense - We noted no exceptions that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-D-13 Travel Expense - No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- IV-E-13 Business Transactions - No business transactions between the Agency and Agency officials or employees were noted.
- IV-F-13 Bond Coverage - Surety bond coverage of Agency officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-G-13 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- IV-H-13 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Agency's investment policy were noted.
- IV-I-13 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-J-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

HEARTLAND AREA EDUCATION AGENCY 11
Summary schedule of Prior Federal Audit Findings
For the Year Ended June 30, 2013

<u>Comment Title</u>	<u>Status</u>	<u>If not corrected, provide planned corrective action or other explanation</u>
None noted	N/A	N/A

HEARTLAND AREA EDUCATION AGENCY 11

STAFF

This audit was performed by:

John Pittman, Partner
Caitlin Peterson, In-Charge
Rachel Cummings, Staff